



FILED

8-03-16
04:59 PM

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop a
Successor to Existing Net Energy Metering
Tariffs Pursuant to Public Utilities Code Section
2827.1, and to Address Other Issues Related to
Net Energy Metering.

Rulemaking 14-07-002
(Filed July 10, 2014)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS ON
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING PROPOSALS AND
COMMENTS ON IMPLEMENTATION OF AB 693

JANET S. COMBS
REBECCA MEIERS-DE PASTINO

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6016
Facsimile: (626) 302-6962
E-mail: rebecca.meiers.depastino@sce.com

Dated: **August 3, 2016**

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop a
Successor to Existing Net Energy Metering
Tariffs Pursuant to Public Utilities Code Section
2827.1, and to Address Other Issues Related to
Net Energy Metering.

Rulemaking 14-07-002
(Filed July 10, 2014)

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS ON
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING PROPOSALS AND
COMMENTS ON IMPLEMENTATION OF AB 693**

I.

INTRODUCTION

Southern California Edison Company (SCE) respectfully submits its response to the Administrative Law Judge's Ruling Seeking Proposals and Comments on Implementation of Assembly Bill 693 (the Ruling) issued on July 8, 2016.

II.

PURPOSE OF IMPLEMENTATION OF THE PROGRAM

Assembly Bill (AB) 327 directed the California Public Utilities Commission (Commission) to develop a successor to the Net Energy Metering (NEM) tariff that "includes specific alternatives designed for growth among residential customers in disadvantaged communities."¹ AB 693 represents one such "alternative" to the NEM Successor Tariff that would benefit low-income customers² who either: (1) live in Disadvantaged Communities

¹ https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB327

² For the purposes of this filing, "low income" refers to customers that meet the criteria set forth in Public Utilities Code Section 2852(a)(3)(A)(1)

(DAC)³ or (2) reside in properties where 80 percent of tenants have incomes that are at or below 60 percent of Area Median Income (AMI) levels. Under AB 693, at least 300 megawatts (MW) of solar energy systems must be installed to lower the energy bills of tenants living in low-income multifamily housing, and provide building owners with upfront incentives to encourage solar growth.

Consistent with the goals of AB 327 and AB 693, the Commission's primary purpose in implementing AB 693 should be to maximize the impact of the incentives to advance the growth of solar adoption among residents in low-income and disadvantaged communities. Incentives allow owners and operators who might not otherwise have installed solar generation to do so, which, in turn, benefits the tenants who reside in their properties.

To maximize the impact of the incentives, the Commission should address barriers to solar adoption that impact customers in DACs. Such barriers include: (1) financial barriers, which may be addressed through upfront incentives to building owners / operators, similar to those offered in existing solar programs like the California Solar Initiative (CSI) and the Multifamily Affordable Solar Housing (MASH) program; and (2) physical / locational restraints, or property ownership barriers (e.g., tenants living in apartment buildings or rented units that are managed by landlords or owners who make decisions regarding whether to install solar on their buildings), which can be addressed through the virtual allocation of solar credits to building tenants within multifamily homes.

SCE recommends that the Commission's implementation of AB 693 build upon the success of the CSI and MASH programs throughout SCE's service territory⁴ by adopting elements of both the MASH and CSI programs. Continuity with these programs will promote

³ DACs include areas identified by the California EPA's Cal EnviroScreen 2.0 that fall into a threshold of 25 percent most heavily impacted by designated environmental and socioeconomic criteria.

⁴ SCE has 142 completed MASH applications in its service territory, totaling approximately 11.5 MW of installed solar capacity and \$35 million in paid incentives. When the waitlist for MASH opened in Q3 2015, SCE reserved \$23 million in additional funding within an hour.

familiarity for developers and property owners. By contrast, departing from those programs may confuse or deter participation.

III.

RESPONSES TO QUESTIONS

For the Commission's and the parties' convenience, SCE sets forth each question in the Ruling followed by SCE's response.

A. Question 1

Section 2870 requires that a property meet the statutory definition of “qualified multifamily affordable housing property” in order to be eligible to receive an incentive from the Program.⁵ How should the Program implement this requirement?

SCE proposes that the Commission use the MASH program's existing eligibility criteria as set forth in the California Public Utilities Commission MASH Program Handbook to

⁵ Cal. Pub. Util. Code § 2870 provides: “Qualified multifamily affordable housing property” means a multifamily residential building of at least five rental housing units that is operated to provide deed-restricted low-income residential housing, as defined in clause (i) of subparagraph (A) of paragraph (3) of subdivision (a) of Public Utilities Code Section 2852, and that meets one or more of the following requirements:

- A. The property is located in a disadvantaged community, as defined by the California Environmental Protection Agency pursuant to Section 39711 of the Health and Safety Code.
- B. At least 80 percent of the households have incomes at or below 60 percent of the area median income, as defined in subdivision (f) of Section 50052.5 of the Health and Safety Code.

Pub. Util. Code § 2852(a)(3)(A)(i) provides the definition:

“A multifamily residential complex financed with low-income housing tax credits, tax-exempt mortgage revenue bonds, general obligation bonds, or local, state, or federal loans or grants, and for which either of the following applies:

- (i) The rents of the occupants who are lower income households do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance.
- (ii) The affordable units have been or will be initially sold at an affordable housing cost to a lower income household and those units are subject to a resale restriction or equity sharing agreement pursuant to the terms of the financing or financial assistance.”

implement AB 693.⁶ AB 693 is a natural extension of the MASH program and, as such, should closely track the MASH program to maintain consistency and familiarity for developers working in affordable housing communities.

As with MASH, the Program Administrator should require that property owners provide documents that demonstrate that the property is either: (1) located within the boundaries of one of the 25 percent most disadvantaged census tracts in SCE's service territory based on the socioeconomic and environmental criteria set forth in the CalEnviroScreen 2.0; or (2) qualifies as low income housing under Public Utilities Code Section 2852. The required documents are listed in response to Question 3 below.

B. Question 2

Should the Program use the CalEnviroScreen tool developed by the California Environmental Protection Agency (CalEPA) to determine the boundaries of “a disadvantaged community, as defined by the California Environmental Protection Agency pursuant to Section 39711 of the Health and Safety Code”?⁷ Why or why not? If you recommend using another method, please provide sources for the method, a detailed justification for its use, and examples of its potential application to the Program.

SCE supports the use of the CalEPA's CalEnviroScreen 2.0 tool to determine the boundaries for DACs. While lower incomes can be an indicator that a community is disadvantaged, income alone is not determinative or sufficient. The CalEnviroScreen 2.0 uses a more comprehensive approach to assessing relative disadvantage by taking into account environmental hardships beyond income. For example, a community that falls short of qualifying as “low income,” may qualify as disadvantaged because of other hardships like pollution that put that community at a relative disadvantage.

⁶ Available at: http://www.gosolarcalifornia.ca.gov/documents/MASH_Handbook.pdf

⁷ The current version of CalEnviroScreen is named CalEnviroScreen 2.0 and is available at: <http://oehha.ca.gov/ej/ces2.html>.

The CalEnviroScreen 2.0 is also consistent with SCE's existing methodology for identifying DACs for other customer programs, including the Charge Ready Program and Green Tariff Shared Renewables program. The Commission should allow SCE to leverage the benefits of such continuity both internally and in Commission proceedings.

C. Question 3

What specific types of documentation should an applicant be required to submit in order to demonstrate that it meets all relevant elements of the statutory definition:

- a. The Section 2852(a)(3)(A)(i) definition of “low-income residential housing;”**
- b. At least one of:**
 - i. Location in a disadvantaged community, as statutorily defined; or**
 - ii. At least 80 percent of households have incomes at or below 60 percent of Area Median Income (AMI).**

Provide a justification for the relevance and sufficiency of each type of documentation identified. If more than one type of documentation, or alternative forms of documentation are recommended, please specify whether any type is preferred, and why.

As noted above, SCE recommends that the Commission require applicants to produce the same types of documents that are required in the MASH Program. Specifically, all applicants should submit fully executed Regulatory Agreements or Deed Restrictions between the property owner and financing entity, along with a cover sheet summarizing the key details of the proof of eligibility documentation. These documents will allow the Program Administrators to determine eligibility of projects accurately and efficiently. The Program Administrator should also verify that the physical location of the system meets the requirement of being located in a DAC by using the most current version of the CalEnviroScreen tool.

D. Question 4

If some tenants of an otherwise qualified property are customers of community choice aggregators (CCAs), should this affect the eligibility of the property for the

program? Why or why not? Would the number or proportion of tenants who are customers of CCAs be relevant to your recommendation? How?

CCA customers that are tenants in a qualified property should be eligible to participate in the disadvantaged communities program. The number or proportion of CCA tenants is irrelevant. When the California Air Resources Board (ARB) granted utilities a direct allocation of greenhouse gas (GHG) allowances, the investor owned utilities (IOUs) received an allowance on behalf of *all* customers of the distribution utility, including Direct Access (DA) and CCA customers. As discussed in Decision (D.) 12-12-033, *Decision Adopting Cap-And-Trade Greenhouse Gas Allowance Revenue Allocation Methodology For The Investor-Owned Electric Utilities*, the IOUs “must consign all of their allowances to auction with the proceeds to be used for the benefit of all ratepayers, *including DA and CCA ratepayers*.”⁸ Because the upfront incentives for this Program are funded with GHG allowance revenue, bundled service, DA and CCA customers all should be eligible to apply for benefits.

With respect to the requirement that “low-income tenants who participate in the program shall receive credits on utility bills from the program,”⁹ SCE proposes that eligible CCA (and DA) low-income tenant customers also be eligible for bill credits consistent with SCE’s Schedule MASH-VNM-ST tariff for CCA and DA customers.¹⁰ Schedule MASH-VNM-ST states that (1) the customer’s Community Choice Aggregator or Electric Service Provider must offer a comparable tariff to Schedule MASH-VNM-ST, and (2) SCE will credit customers for the non-generation energy portion of the bill and the customer’s Community Choice Aggregator or ESP will credit the customer for the generation energy portion of the bill.

⁸ D.12-12-033 at p. 15 (emphasis added.)

⁹ Pub. Util. Code § 2870(g)(1).

¹⁰ See Advice 3371-E at p. 13.

E. Question 5

Should the available incentive funding be allocated as a certain percentage to properties that qualify by virtue of location in a disadvantaged community and to those that qualify by virtue of low-income tenant households? Why or why not?

- a. If such a division of incentive funding should be made, should a predetermined fixed division be made (e.g., 50 percent to each type)? What percentage should such a fixed division be? Please provide a detailed justification for the recommended proportions.**
- b. Should such a division of incentive funding, if one is made, be determined each program year? For some other time period? Why or why not?**

SCE does not recommend a specific division of incentive funding between low-income customers who are: (1) located in DACs, versus (2) located in properties where at least 80 percent of the households have incomes at or below 60 percent of AMI. SCE's overarching objective is that it be permitted to provide incentive funding to customers that will derive the greatest benefits from the program. As such, SCE supports targeting the low-income customers in DACs (versus all customers – including higher income customers), to ensure that those in greatest financial need within the DACs are provided with the incentives needed to overcome financial barriers, including the high upfront cost of installing solar.

F. Question 6

Should the 300 megawatt (MW) capacity goal be allocated as a certain percentage to properties that qualify by virtue of location in a disadvantaged community and to those that qualify by virtue of low-income tenant households? Why or why not?

- a. If such a division of MW should be made, should a predetermined fixed division be made (e.g., 50 percent to each type)? What percentage should such a fixed division be? Please provide a detailed justification for the recommended proportions.**
- b. Should such a division of MW, if one is made, be determined each program year? For some other time period? Why or why not?**

Similar to its response in Question 5, SCE does not recommend that the 300 MW capacity goal be allocated as a certain percentage to low-income customers who are: (1) located in DACs, versus (2) located in properties where at least 80 percent of the households have

incomes at or below 60 percent of AML. SCE believes it is most important to focus on providing incentives to customers in greatest financial need, who will receive the greatest impact of the incentives provided by the program.

G. Question 7

What type of incentive structure should the Commission adopt for the Program? Should the Commission implement an upfront, estimated performance-based incentive, similar to the MASH program, or should a different incentive structure be adopted (e.g., an auction mechanism)? Please describe why your proposed incentive structure would be best suited to achieving the Program goals.

- a. Please describe in detail how your proposal complies with the requirement of Section 2870(f)(4).¹¹**
- b. If you believe an upfront incentive structure should be adopted, please describe how the incentive level or levels should be determined. Please include quantitative data to support your recommendation.**
- c. If you believe a different incentive structure should be adopted, please describe in detail how such a structure would be implemented. Please include quantitative data to support your recommendation**

SCE proposes to offer upfront incentives to customers who install solar photovoltaic (PV) systems on low-income, multi-family residences consistent with the directives of AB 693. These incentives address economic barriers by offsetting the upfront costs of installing solar PV systems for property owners who may not otherwise consider this type of investment given economic restraints or hardships.

Under Public Utilities Codes section 2870(f)(4), no project can receive total incentives (incentives from AB 693 combined with any other programs) that exceed total eligible project costs. Total eligible project costs are outlined in the current MASH Handbook in Section 3.2.1

¹¹ Pub. Util. Code § 2870(f)(4) provides: “The commission shall ensure that incentive levels for photovoltaic installations receiving incentives through the program are aligned with the installation costs for solar energy systems in affordable housing markets and take account of federal investment tax credits and contributions from other sources to the extent feasible.”

on page 34. The Program Administrator will verify the project costs using the Purchase and Installation contract.

SCE recommends using a single incentive level that is based on the current MASH incentive structure, which would award higher incentives to virtually net metered projects that provide at least 80 percent in allocated generation to the tenants and no more than 20 percent to the common areas. The most recent MASH Semi Annual Report filed August 1, 2016 shows that 58 percent of incentive dollars are for PV systems that offset tenant electrical usage.

Once the incentive budget for AB 693 is determined, the Commission should set the incentive rate at an amount that allows the maximum number of solar energy systems to be installed to meet the 300 MW goal. SCE acknowledges, however, that market conditions can rapidly change and may affect program adoption; as such, SCE proposes that the incentive structure be periodically assessed by the Energy Division to ensure that the Commission adopts an efficient mechanism that can adjust to changing market conditions.

H. Question 8

Would a solar energy system paired with a storage device meet the definition in Section 2870(a)(4) of “solar energy system”?¹² Why or why not?

The CSI program and required the California Energy Commission (CEC) to establish eligibility criteria for solar energy systems to receive ratepayer-funded incentives according to the guidelines outlined in the statute. Public Utilities Code section 2870(a)(4) defines a “solar energy system” as being a “solar energy photovoltaic device that meets or exceeds the eligibility criteria established pursuant to Section 25782 of the Public Resources Code.” Pursuant to Section 25872 of the Public Resource Code, the California Energy Commission (CEC) created “Guidelines for California’s Solar Electric Incentive Programs” which establish eligibility criteria, conditions for incentives and rating standards to qualify for ratepayer-funded incentives.

¹² The CEC Guidelines available at: <http://www.energy.ca.gov/2012publications/CEC-300-2012-008/CEC-300-2012-008-ED5-CMF.pdf>.

Storage is not included as an eligible “solar energy photovoltaic device” under this statutory scheme and the CEC has not established eligibility criteria for storage. Therefore, a storage device is not eligible to receive incentives as an eligible “solar energy system.” Storage devices paired with eligible solar energy systems (i.e., both devices behind the same revenue meter) may be eligible for other incentive programs, such as the Self-Generation Incentive Program (SGIP). Regardless, in no case should the amount of incentives received for either the solar generator (from this Program) or storage device (from an alternate incentive program), or both, exceed the total project costs of the system(s).

I. Question 9

If you believe that a solar energy system paired with a storage device meets the Section 2870 definition, should the Commission adopt incentive levels or structures for these projects that differ from the incentive structure that you have recommended in response to Question 7 for systems without storage? If so, how should the incentives differ? Please be specific and provide quantitative examples if relevant.

Please see SCE’s response to Question 8.

J. Question 10

Which, if any, features of the California Solar Initiative (CSI) and Multifamily Affordable Solar Homes (MASH) programs should be continued under the Program?¹³ Examples include:

- **Systems must be installed by a contractor with an active Contractors State License Board (CSLB) License.**
- **Generation system equipment eligibility rules including.**
 - **System size justification and sizing based on future load growth**
 - **System size between 1kW CEC-AC and 1 MW CEC-AC**

¹³ See CSI General Market Program Handbook available at: http://www.gosolarcalifornia.ca.gov/documents/CSI_HANDBOOK.PDF; MASH Program Handbook available at: http://www.gosolarcalifornia.ca.gov/documents/MASH_Handbook.pdf.

- **Warranty requirements**
- **Performance and permanency requirements**
- **Requirement to interconnect to the electric utility's distribution system**
- **Energy production metering requirements**
- **Inspection requirements**
- **Energy efficiency requirements**
- **Incentive limitations including total eligible project costs, other incentives/rebates received, and project size and host customer site limitations**
- **Application process (Reservation Request, Proof of Project Milestone, Incentive Claim)**
- **18-month incentive reservation period**
- **Payment designation process**
- **Other aspects to ensure systems meet the eligibility criteria established by the CEC pursuant to Section 25782 of the Public Resources Code.**

For each program feature that you recommend be adopted for the Program, please provide a justification for its applicability and effectiveness for the Program.

Consistency with CSI and MASH will improve the likelihood of the program's success. SCE therefore recommends that the Commission maintain all of the features of CSI and MASH, with the exception of the MW incentive cap. To prevent a small number of projects from receiving a disproportionate share of the incentive funding, SCE recommends that the one MW incentive cap remain in place even though MASH-VNM-ST allows systems over one MW to interconnect. Current data from the MASH Semi Annual Expense report filed August 1, 2016 shows that most MASH projects across all IOU territories range from 10 to 100 kW CEC-AC, which supports maintaining the system size limit of one MW.

If a conflict arises between the features of the CSI and MASH Programs, SCE recommends adopting the MASH Program features.

The warranty requirements of both programs are consistent with the warranty requirements in SCE's existing MASH-VNM successor tariff (Schedule MASH-VNM-ST).

K. Question 11

How should the requirements regarding third-party owned systems set out in Section 2870(f)(3) be implemented?¹⁴ Please specifically address at least the following statutory requirements:

- **Enforcing contractual restrictions that ensure no additional costs are passed on to low-income tenants.**
- **Requirement that third-party system owners provide ongoing operations and maintenance of the system, monitor energy production and ensure that projected system production is achieved.**

SCE is not party to the agreement between the third-party system owner and the property owner. However, the Commission should require the agreement to include standard language stating: (1) all costs related to the installation of solar PV are not passed to low-income tenants and (2) that tenants have no financial obligation to the system owner. The agreement should also have standard language related to maintenance, operation and monitoring. Upon submittal of the agreement to the Program Administrator, the customer must clearly identify the section(s) demonstrating compliance with this statutory requirement. The Program Administrator will verify the language above as identified in the submitted agreement to determine compliance with the statutory requirement.

¹⁴ Pub. Util. Code § 2870(f)(3) provides: "The Commission shall require that qualifying solar energy systems owned by third-party owners are subject to contractual restrictions to ensure that no additional costs for the system be passed on to low-income tenants at the properties receiving incentives pursuant to the program. The Commission shall require third-party owners of solar energy systems to provide ongoing operations and maintenance of the system, monitor energy production, and, where necessary, take appropriate action to ensure that the kWh production levels projected for the system are achieved throughout the period of the third-party agreement. Such actions may include, but are not limited to, providing a performance guarantee of annual production levels or taking corrective actions to resolve underproduction problems."

L. Question 12

What types of local hiring requirements should be adopted?

- a. How should the local hiring requirements be designed to ensure that they “provide economic development benefits to disadvantaged communities”?¹⁵ Please address, among other things, whether the requirements should be focused on hiring residents of disadvantaged communities and/or on businesses located in disadvantaged communities.**

SCE does not have sufficient experience with local hiring requirements to develop them for this program. Regardless, SCE recommends that the Commission avoid unnecessary complexity when developing the local hiring requirements because complexity can increase costs, which will likely be passed down to the customer. If the project owner is unable to hire residents and/or businesses located in a DAC, they should be allowed the flexibility to hire outside of the DAC as long as it is within the utility’s service territory.

- b. Should these requirements include job training requirements similar to MASH?¹⁶**

SCE supports including job training requirements similar to those in the MASH program, with the exception of requiring one student or graduate of a job training program for each 10 kW. Instead, SCE recommends adjusting the job training requirements to allow the flexibility for a single student or graduate of a job training program to complete one 8-hour day of work for each 10 kW of system size. Modifying the requirement for multiple job trainees per system will give a student or graduate of a job training program the opportunity to gain an increased level of job experience while reducing the burden on the property owner and contractor to recruit multiple job trainees. The proposed option may also reduce the associated costs with hiring multiple job trainees, which may then be passed down to the property owner.

¹⁵ Pub. Util. Code § 2870(f)(6).

¹⁶ MASH Program Handbook at pp. 23-25, available at:
http://www.gosolarcalifornia.ca.gov/documents/MASH_Handbook.pdf.

M. Question 13

How should the Commission implement the requirement that the electricity generated by incentivized systems “be primarily used to offset electricity usage by low-income tenants”?¹⁷ Please address at least the following:

- a. Should all, or a percentage of, electricity generated by the system offset low-income tenants’ usage? Please provide a justification, including quantitative examples if relevant, for your recommendation.**

The Commission should require the owner/operator to size the eligible solar energy system to primarily offset the energy needs (i.e., annual kWh) of the low-income tenants. The Commission should also permit the owner/operator to size the system to offset common area load, but the Commission should base the higher incentive rate on the portion of the system used for offsetting tenant load. For example, if the tenant load required a 100 kW system and the owner/operator elected to install a 120 kW system to account for common area load, the 100 kW would be eligible for the higher incentives while the common area would receive the lower incentive rate similar to the current MASH incentive structure.

- b. If you believe only a percentage of electricity generated by the system should be required to offset usage by low-income tenants, please propose and justify a method for allocating the percentage, including quantitative examples.**

To be eligible for the higher Track 1D incentives in the current MASH program, low income tenants at the location where the solar generating system is installed must receive at least 50 percent of the economic benefit of the solar generation allocated to them through VNM tariffs allowing for reduced or lowered energy costs. This requirement is effective for the life of the system or 20 years, whichever is less. Because developers are familiar with that structure, SCE proposes that the Commission adopt a similar structure here, with the exception that the Commission require that incentives received for the project be based on the percentage of solar generation allocated to tenants. For example, if a solar generating system is sized to offset both common and tenant areas at 120 kW, the project would receive the higher incentive rate for the

¹⁷ Pub. Util. Code § 2870(f)(2).

portion that was sized to offset tenant load at 100 kW. Because tenants should receive ~80 percent of the allocated generation from the solar generating system, the common area load would receive the lower incentive rate since tenants should receive.

c. How should the Program Administrator(s) verify that electricity generated by incentivized systems is offsetting electricity usage by low income tenants? In your response, please discuss at least:

i. The role of utility allowances, and

ii. Required covenants or restrictions in deeds.

As part of the current MASH program, owners/operators are required to sign an affidavit ensuring tenant economic benefit. SCE proposes utilizing a similar affidavit here. Assuming the “the role of utility allowances” refers to the amount of generation allocated to tenants, SCE proposes using a procedure similar to the existing MASH affidavit. Specifically, if an owner/operator is using the California Utility Allowance Calculator (CUAC), the owner/operator attests that the reduced energy costs will be provided through reduced energy bills for low-income tenants and that the owner/operator will not adjust the allocations or will use the CUAC to ensure any such adjustment continues to meet the tenant benefit requirement(s). SCE does not propose the Commission require covenants or restrictions in deeds as part of this verification effort. However, SCE does reserve the right in the affidavit to request further documentation to allow for verification of the tenant benefit requirement, if necessary.

d. Which utility tariffs and credits should qualify as meeting the requirements of Section 2870(g)(1)?¹⁸ Please identify any other issues of coordination with current utility tariffs and credits that should be considered in the implementation of the Program.

¹⁸ Pub. Util. Code § 2870(g)(1) provides: “Low-income tenants who participate in the program shall receive credits on utility bills from the program. The Commission shall ensure that utility bill reductions are achieved through tariffs that allow for the allocation of credits, such as virtual net metering tariffs designed for MASH Program participants, or other tariffs that may be adopted by the Commission pursuant to Section 2827.1.”

To meet the statutory requirements, SCE proposes to modify the applicability section of its Schedule MASH-VNM-ST rate schedule¹⁹ to allow low-income tenants to receive an allocation of kWh each month based on the output of the solar energy system to offset their individual consumption. That modification will allow low-income tenants to realize benefits through utility bill reductions and receive a direct economic benefit from the qualifying solar energy system. Because the crediting structure of the NEM successor tariff, including Schedule MASH-VNM-ST, results in a cost-shift to non-participating customers, expanding the applicability of Schedule MASH-VNM-ST to include customers eligible for incentives under AB 693 will increase the cost-shift to non-participating customers, unless this cost-shift is also funded with GHG allowance revenue. However, doing so would greatly reduce the revenue available to fund the upfront incentives.

N. Question 14

How should the Commission address the requirements of Section 2870(g)(2)?²⁰

a. Which existing tariffs could this requirement implicate? Please specifically describe the relationship of Section 2870(g)(2) to each tariff identified.

As discussed in the response to Question 13.d, utilizing Schedule MASH-VNM-ST will satisfy the statutory requirement by allowing low-income tenants to receive an allocation of kWh each month based on the output of the solar energy system to offset their individual consumption. Under that schedule, participating low-income tenant customers will receive a direct economic benefit (*i.e.*, a reduction in their utility bills) from the solar energy system. As discussed in our response to Question #13, the owner/operator of the property must commit to allocating a significant portion of the output of the solar energy system to low-income tenants to be eligible for the upfront incentives. Utilizing this schedule will not negatively impact the

¹⁹ See Advice 3371-E/E-A

²⁰ Pub. Util. Code § 2870(g)(2) provides: “The Commission shall ensure that electrical corporation tariff structures affecting the low-income tenants participating in the program continue to provide a direct economic benefit from the qualifying solar energy system.”

ability of customers participating in SCE's California Alternate Rates for Energy (CARE) tariff to continue receiving CARE.²¹

b. How should the Commission account for the impact of potential changes to utility tariffs being considered in other proceedings or contexts (e.g., residential rate redesign) on the obligation set out in Section 28709(g)(2)?

For the most part, potential changes to utility tariffs being considered in other proceedings or contexts should not have an immediate impact on the Commission's implementation of AB 693. While the residential rate redesign effort is modifying the underlying rate structure for residential customers, including low income tenants, those changes will not negate the direct economic benefit that the tenants will receive on Schedule MASH-VNM-ST. Even if the customers' underlying rate structure is changed, they will still receive an allocation of kWh under the MASH-VNM-ST tariff that will reduce the amount of kWh on which they are billed. In 2019, the Commission is scheduled to review the NEM tariffs adopted in D.16-01-044, including Schedule MASH-VNM-ST.²² At that time, changes could be made to the virtual allocation of credits, but customers who are served on Schedule MASH-VNM-ST prior to the adoption of any new/replacement tariff as part of the Commission's 2019 effort will be grandfathered on Schedule MASH-VNM-ST for 20 years.²³

O. Question 15

Should the Program include a limit on the amount of incentive payments that can be paid to projects developed by any one third-party owner, supplier or installer of qualified solar energy systems? Why or why not? If there should be such a limit, how should it be determined?

Historically, there have been a low number of contractors participating in low-income programs. SCE believes that limiting the amount of incentive payments paid to projects

²¹ To participate on Schedule MASH-VNM-ST, tenants must be served on a time-of-use (TOU) rate. SCE's existing TOU rates allow for the application of the CARE discount to eligible customers (*See e.g.*, Special Condition 6 of Schedule TOU-D).

²² D.16-01-044 at p. 86.

²³ *Id.* at pp. 100-101.

developed by any one third-party owner, supplier, or installer could constrict the pool to the detriment of property owners. Imposing a limit could also create an additional barrier by preventing the property owner from choosing a contractor of their choice.

P. Question 16

Should the Program include a limit on the number of MW for which projects developed by any one third-party owner, supplier or installer of qualified solar energy systems may be paid with Program incentives? Why or why not? If there should be such a limit, how should it be determined?

Similar to the reasons included in the response to Question 15 above, at least for now, SCE does not support a limit on the number of MW for which projects developed by any one third-party owner, supplier, or installer may receive incentives.

Q. Question 17

What program administration structure should be adopted? Please address at least the following with specificity:

- a. Both the benefits and the drawbacks of utility administration;**
- b. Both the benefits and the drawbacks of third-party administration;**
- c. Both the benefits and the drawbacks to selecting one statewide administrator;**
- d. Both the benefits and the drawbacks of selecting different administrators in each utility territory;**
- e. If you believe a third-party administrator should be selected through a competitive bidding process, what criteria should be used to evaluate proposals?**
- f. What, if any, program rules or funding/budget specifications would be affected by your recommendation for administrative structure?**

SCE has a strong track record of successfully and efficiently administering customer incentive programs, such as MASH and CSI. In fact, SCE has consistently spent less than its administrative budget in implementing these programs while still reaching its program goals.

For example, the Staff Proposal for Implementation of Assembly Bill 217 showed SCE only spent 28 percent of its allocated budget from 2008-2013.²⁴ The Commission should leverage that experience when adopting the program administration structure for AB 693 by allowing SCE to continue to administer AB 693 in its service territory.

Dating back to the MASH program's infancy, SCE has helped – and continues to help – building owners and contractors every step of the way through the incentive application and interconnection processes. Through this hands-on approach, more than 23 MW of solar has been either installed or reserved in SCE's 50,000-square mile service territory, amounting to approximately \$54 million in incentive dollars. Additionally, the MASH program administrative structure heavily relies on bringing together a very diverse group of interests with different strengths. The diversity of experience makes the program administrative structure successful. SCE believes the value of this administrative structure should continue to be supported by the Commission in implementing AB 693.

In D.15-01-027, which implemented AB 217, the Commission stated, "The existing MASH Program Administrators have efficiently administered the program at a fraction of their allocated administrative budgets while fully subscribing available incentives. The existing Program Administrators also have experience working with affordable housing developers, property owners, and customers in their service territories, which will be valuable for the efficient administration of the program going forward."²⁵ Thus, the implementation of AB 693 will be best served by maintaining the same program administration structure, which includes having SCE administer AB 693 in its service territory.

Moreover, any request for proposal (RFP) process necessary to select a statewide program administrator would impose unnecessary delay in the implementation of AB 693 and risk inefficient use of ratepayer funds.

²⁴ Staff Proposal at p. 14

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M096/K688/96688965.PDF>.

²⁵ See D.15-01-027 at p. 11.

R. Question 18

In D.12-12-033, the Commission established a framework for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), Liberty Utilities (CalPeco Electric) LLC (Liberty), and PacifiCorp to distribute proceeds of greenhouse gas (GHG) allowances allocated to electric investor-owned utilities (IOUs) in furtherance of the goals of AB 32 (Nuñez/Pavley), Stats. 2006, ch.488 (the Global Warming Solutions Act of 2006), to their customers. The GHG allowance proceeds identified in Section 748.5 and called out in Section 2870 are those of “an electrical corporation,” a category that includes all five utilities listed above.

- a. Should PG&E, SCE, SDG&E, Liberty, and PacifiCorp all be required to contribute GHG allowance proceeds to fund the Program? Why or why not?**

Under Public Utilities Code section 748.5(c), the Commission may allocate up to 15 percent of allowance revenue for clean energy and energy efficiency projects that are not funded by another source and already approved by the Commission. SCE does not oppose requiring all five utilities to use GHG allowance revenue to fund this program as long as the funding stays at or below the 15 percent limit.

- b. Should incentives from the Program be available to eligible projects in the service territories of all five utilities? Why or why not?**

Yes, given that all five utilities receive GHG allowance revenue, customers of each of the five utilities should be entitled to receive program incentives, provided that each utility should only be required to provide incentives to projects located within its service territory.

- c. If you believe that any of the five IOUs should be exempt from contributing to and/or having projects in their service territories participate in the Program, please provide an explanation for the recommended exemption(s).**

Not applicable, given SCE’s response to Question 18.b.

S. Question 19

Section 2870(c) directs the Commission to annually authorize “the allocation of one hundred million dollars (\$100,000,000) or 10 percent of available funds, whichever is less, from the revenues described in subdivision (c) of Section 748.5,” to fund the

Program. The statute also allows up to 10 percent of total funds allocated to the Program to be used for administration.²⁶

- a. If the annual allocation of funds is \$100,000,000 (because this amount is less than 10 percent of available funds), how should each IOU's contribution be determined (e.g., based on retail sales, based on another methodology)? Please provide a detailed explanation for the method chosen. Please provide quantitative examples, including a complete calculation with your recommended method.**

Consistent with SCE's recommendation that the purpose of AB 693 be to maximize the impact of the incentives offered through the Program, responsibility for funding an annual allocation set at \$100 million should be based on the proportion of eligible disadvantaged and low-income customers located in each utility's service territory. As a proxy for assessing the proportion of eligible customers, SCE recommends using the CalEnviroScreen 2.0.

As an example of how such funding allocation would be implemented, if SCE's recorded proportion of disadvantaged communities in its service territory is 30% of the population of California, SCE's share of funding would be 30% of the \$100 million to address that population of customers.

- b. If the annual allocation of funds is 10 percent of available funds (because this amount is less than \$100,000,000), how should each IOU's contribution be determined (e.g., based on retail sales, based on another methodology)? Please provide a detailed explanation for the method chosen, including the calculation of "10 percent of available funds." Please provide quantitative examples, including a complete calculation with your recommended method.**

As stated in response to Question 18.a, under Public Utilities Code section 748.5(c), the Commission may allocate up to 15 percent of allowance revenue for clean energy and energy efficiency projects that are not funded by another source and already approved by the Commission. To comply with Administrative Law Judge Simon's March 18, 2016 ruling (the Ruling) in R.14-07-002, SCE set aside 10 percent of the 15 percent of its forecasted net allowance revenues (and also set aside 5 percent of its recorded/estimated 2016 GHG allowance

²⁶ Pub. Util. Code § 2870(e) provides that "[n]ot more than 10 percent of the funds allocated to the program shall be used for administration."

proceeds) in its 2017 ERRR Forecast A.16-05-001. Table III-I from SCE's 2017 ERRR Forecast filing (set forth below) shows the forecast amounts set aside to comply with the Ruling, based on 10 percent of the 15 percent of the net allowance revenues available, including the impact of prior balances and net of administration costs.

Table III-1

Template D-1: Annual Allowance Revenue Receipts and Customer Returns

Line	Description	2016		2017	
		Forecast	Recorded 1/	Forecast	Recorded
1	Proxy GHG Price (\$/MT)	\$ 13.14	N/A	\$ 12.99	N/A
2	Allocated Allowances (MT)	29,550,282	29,550,281	26,868,834	26,868,834
3	Revenues (\$)				
4	Prior Balance	\$ (346,523)	\$ (22,378,563)	\$ (9,242,191)	\$ -
5	Allowance Revenue	\$ (388,290,705)	\$ (375,505,304)	\$ (349,026,154)	\$ -
6	Interest	\$ -	\$ -	\$ -	\$ -
7	Franchise Fees and Uncollectibles	\$ (4,363,170)	\$ (4,358,942)	\$ (4,051,567)	\$ -
8	Subtotal Revenues	\$ (393,000,398)	\$ (402,242,809)	\$ (362,319,912)	\$ -
9	Expenses (\$)				
10	Outreach and Administrative Expenses (from Template D-3)	\$ 592,500	\$ 592,500	\$ 592,500	\$ -
11	Franchise Fees and Uncollectibles	6,658	6,878	6,878	\$ -
12	Interest	\$ -	\$ -	\$ -	\$ -
13	Subtotal Expenses	\$ 599,158	\$ 599,378	\$ 599,378	\$ -
14	AB693 Set Aside for Multi Family Solar Rooftops		\$ 3,012,326	\$ 5,425,808	
15	Prior Year Set Aside/2			\$ 3,012,326	\$ -
16	Net GHG Revenues (\$) (Line 8 + Line 13 + Line 14 + Line 15)	\$ (392,401,240)	\$ (398,631,106)	\$ (353,282,400)	\$ -
17	GHG Revenues to be Distributed in Future Years (\$)	\$ -	\$ -	\$ -	\$ -
18	Net GHG Revenues Available for Customers in Forecast Year (\$) (Line 16 + Line 17)	\$ (392,401,240)	\$ (398,631,106)	\$ (353,282,400)	\$ -

- c. While AB 693 discusses the Program budget in terms of fiscal years (see, e.g., Section 2870(c)), IOUs record and distribute GHG allowance proceeds over the course of a calendar year. Do funding calculations need to account for this timing difference? If so, how? Please provide quantitative examples, if relevant.

Funding allocations that are at odds with SCE's recording and distribution of GHG allowance proceeds could be trued up in a new AB 693 balancing account as described in the response to Question 20.

- d. Since the amount of annual GHG allowance proceeds in future years is unknown, the amount of funding available for the Program each year cannot be specified in advance. How should budgets for the Program be determined

in the context of this uncertainty? Please provide specific justifications for your proposed method.

Similar to the MASH program, the incentive budget should be 90 percent of the total program budget each year regardless of the amount of available funding. The budget for administration funds should be 10 percent. The breakdown is described in SCE's responses to questions 19.e and 19.f below.

e. What types of activities should administration funds be used for? Please specifically address at least: program administration; measurement and evaluation; and marketing and outreach.

Program administration activities include two major components: 1) Administration and 2) Measurement and Evaluation. Under the category of Administration, activities include (but are not limited to) program operations, marketing and outreach, database maintenance/enhancements and inspections. Measurement and Evaluation includes activities related to studies and evaluation of the program.

f. What proportion of the total Program budget (not exceeding 10 percent) should be allocated to administration? Please justify the number chosen with reference to the activities identified in response to Question 22e.

SCE suggests 10 percent of the total budget should be allocated to the administration activities listed above. The proposed breakdown includes one percent for evaluation activities and allows the discretion to allocate the remaining percentage of the administration budget between general administration and marketing and outreach as necessary.

T. Question 20

What is the appropriate regulatory accounting mechanism for the IOUs to use to set aside GHG allowance proceeds for the Program? Please explain in detail the basis for your recommendation.

SCE suggests a requirement to create a new balancing account to record the difference between GHG allowance revenue transfers from the GHG revenue balancing account and actual program funding payouts and administrative costs.

U. **Question 21**

The California Air Resources Board’s Cap-and-Trade Regulation prevents utilities from publicly disclosing auction bidding information, including intent to participate in an auction, bidding strategy, and bid quantity information (17 CCR § 95914 (c)(1)). How should the Commission take this requirement into account in structuring the funding and budgeting for the Program?

Funding and budgeting for the program will be based on total annual GHG allowance revenue amounts that do not need confidential treatment. The total GHG allowance revenue forecast in any given year is not confidential, but the detailed GHG emissions volumes and sales by rate class are confidential.

V. **Question 22**

The Commission is required to establish energy efficiency requirements for the Program.²⁷

- a. How should such energy efficiency requirements be determined? Should the Commission simply adopt requirements equal to those in Section 2852? Why or why not?**
- b. If the Commission should adopt different energy efficiency requirements, how should those requirements be determined?**
- c. What documentation should applicants be required to provide of compliance with the requirements set in accordance with Section 2870(f)(7)?**

SCE believes the Commission should adopt the energy efficiency requirements in the current MASH program handbook²⁸ and the current requirements of Public Utilities Code section 2852. The Commission should require applicants to submit a list of the tenants at the multifamily property for Energy Savings Assistance (ESA) program enrollment and an energy efficiency audit equal to an ASHRAE level 1 or higher, or enroll in a utility, Renewable Energy

²⁷ Pub. Util. Code § 2870(f)(7) provides: “The Commission shall establish energy efficiency requirements that are equal to the energy efficiency requirements established for the program described in Section 2852, including participation in a federal, state, or utility-funded energy efficiency program or documentation of a recent energy efficiency retrofit.”

²⁸ MASH Energy Efficiency requirements are described on pages 22-23 of the Program Handbook: http://www.gosolarcalifornia.ca.gov/documents/MASH_Handbook.pdf.

Network (REN), CCA or federally provided whole-building multifamily energy efficiency program. With regard to ESA program referrals, to reduce barriers to tenant enrollment in ESA programs and promote efficiency, SCE proposes the Commission require the applicant to submit a completed ESA Program's Building Owner Authorization Form with the referrals to receive an incentive.

W. Question 23

Should the Commission establish interim targets for the installation of capacity under the Program?²⁹ Why or why not? How should such interim goals, if they are appropriate, be determined?

Until an overall budget is clearly identified, interim targets for installation of capacity should be defined. The interim targets should be based on the available funding for that period. Any funding overage for a specified period carries over to the next period and any shortfall of funding for any one period will either be pulled from the next period or the capacity goal will be adjusted accordingly.

X. Question 24

What types of data collection and reporting requirements should the Commission adopt for the Program? Please include a discussion of whether data from the Program should be reported on the Cal DG Stats website that is currently under development and intended to replace the current California Solar Statistics website.³⁰

SCE recommends a semi-annual reporting requirement similar to the MASH and Single-Family Affordable Solar Homes (SASH) programs. Since the low-income programs are currently included on CAL DG Stats website, SCE does not have any issues or concerns with reporting the data, provided the information is equivalent to the fields that are collected today.

²⁹ Cal. Pub. Util. Code § 2870(f)(1) ("The target of the program is to install a combined generating capacity of at least 300 megawatts on qualified properties.")

³⁰ <https://www.californiasolarstatistics.ca.gov/>.

Y. Question 25

**What safety issues should be considered in the implementation of the Program?
Please specify who should be responsible for meeting any safety requirements you
identify (e.g., applicant, utility, supplier of solar energy system, etc.)**

Safety issues are addressed in existing processes within the project's local public and safety jurisdiction and the utility's interconnection process. Given that sufficient safety requirements already exist, SCE does not feel any additional safety requirements should be required within the incentive program.

Z. Question 26

**Please identify and, if relevant, comment on any additional topics related to
implementation of the Program that are not addressed in the questions above.**

SCE has no further comments.

Respectfully submitted,

JANET S. COMBS
REBECCA MEIERS-DE PASTINO

/s/ Rebecca Meiers-De Pastino

By: Rebecca Meiers-De Pastino

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6016
Facsimile: (626) 302-6962
E-mail: rebecca.meiers.depastino@sce.com

August 3, 2016